

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 IO-14 ISO-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-03 H-03 INR-11 INT-08 L-03 LAB-06

NSAE-00 NSC-07 PA-04 RSC-01 AID-20 CIEP-03 SS-20

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 SP-03 FEAE-00

OMB-01 SWF-02 DRC-01 /195 W
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R 171423Z SEP 74

FM USMISSION GENEVA

TO SECSTATE 8298

INFO AMEMBASSY REYKJAVIK

USMISSION OECD PARIS

LIMITED OFFICIAL USE GENEVA 5879

E.O. 11652: N/A

TAGS: ETRD, IC, GATT

SUBJECT: ICELAND PRIOR IMPORT DEPOSITS

REF: (A) GENEVA 3334; (B) GENEVA 3144

1. ICELAND HAS ANNOUNCED DECISION TO ELIMINATE PRIOR IMPORT DEPOSIT SYSTEM (REFTEL (B)). PERTINENT GATT DOCUMENT IS L/4035/ADD.1, 16 SEPT., COPIES MAILED EB/OT/TA (BARRACLOUGH) AND STR (MCNAMARA). COMPLETE REMOVAL OF DEPOSITS BY END-1974 HAS BEEN SCHEDULED, WITH STAGED REDUCTIONS OF 5 PERCENT PER MONTH IMMEDIATELY BEGUN ON 6 SEPT. THUS, 25 PERCENT DEPOSIT IS 20 PERCENT IN SEPT., 15 PERCENT IN OCT., 10 PERCENT IN NOV., 5 PERCENT IN DEC., AND FULLY TERMINATED BY DEC. 31.

2. ICELAND PERMREP BENEDIKTSSON SAID HE ASSUMES THIS OBVIATES ANY NEED FOR WORKING PARTY (REFTEL (A)) TO MEET, SINCE MEASURES WOULD EITHER BE FULLY REMOVED OR WOULD BE LIMITED OFFICIAL USE

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IN FINAL STAGE OF ABOVE SCHEDULE BY THE TIME WP COULD BE

SCHEDULED, DEPENDING UPON DATE OF WP. MISSION OFFICER SAID THIS ANNOUNCEMENT BY ICELAND WAS MOST WELCOME AND SAID WE ASSUME WASHINGTON WOULD AGREE THERE NOW NO NEED FOR WP SESSION BUT WOULD SEEK CONFIRMATION.

3. GATT SECRETARIAT (KAUTZOR-SCHRODER) SAID WP COULD NOT USEFULLY MEET IN ANY EVENT UNTIL IMF COULD SEND A TEAM TO ICELAND AND PREPARE RECOMMENDATION. FUND REPORTEDLY DOES NOT PLAN SEND TEAM AT ALL NOW THAT DEPOSITS BEING DISMANTLED.

4. JAPANESE MISSION (WADA) HAS EXPRESSED CONCERN THAT FAILURE OF WP TO CONVENE WILL SET PRECEDENT FOR "HIT AND RUN" BY COUNTRIES INTRODUCING IMPORT RESTRICTIONS WHO COULD REMOVE THEM AT LAST MINUTE WITHOUT GATT HAVING PASSED JUDGEMENT. HE THINKS WP SHOULD HOLD PRO-FORMA SESSION. MISSION OFFICER SAID ICELAND CASE WOULD NOT SEEM CONSTITUTE BAD PRECEDENT SINCE WELCOME DISMANTLING OF DEPOSITS FOLLOWS AFTER GATT PRESSURE IN FORM OF RAPIDLY CONVENED SPECIAL SESSION OF COUNCIL (REFTEL (A)). WE SAID IN FACT IT WOULD APPEAR TO BE USEFUL PRECEDENT HAVE COUNTRIES REMOVE RESTRICTIONS WHEN POSSIBLE INSTEAD OF WAITING FOR CONVENING OF WPS.

5. WE SEE LITTLE RESULT FROM INSISTING UPON A SHADOW MEETING OF THE WP EXCEPT TO IRRITATE ICELAND. BELIEVE WE SHOULD THANK ICELAND AND TELL JAPAN THAT WHILE WE IN AGREEMENT ON NEED MAINTAIN PRESSURE AGAINST NEW RESTRICTIONS WE FEEL THIS EARLY REMOVAL ANNOUNCED BY ICELAND IS A MOST FAVORABLE OUTCOME. WE OF COURSE WOULD STAND READY CONVENE SPECIAL COUNCIL SESSION, WPS, OR REVIEW BY BOP COMMITTEE, IN FACE OF NEW RESTRICTIONS BY ANY CP. MEANWHILE, MISSION SUGGESTS WP CONTINUE TO TO EXIST AND BE PREPARED CONVENE IN EVENT ICELAND SHOULD NOT MEET PROMISED LIBERALIZATION SCHEDULE.

6. ACTION REQUESTED: WOULD APPRECIATE EARLY WASHINGTON RESPONSE TO OUR RECOMMENDATION THAT WP NOT MEET. DALE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: IMPORT CONTROLS, FOREIGN EXCHANGE HOLDINGS, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 SEP 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: cunninfx
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974GENEVA05879
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740260-0512
From: GENEVA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740940/aaaabhjg.tel
Line Count: 99
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: (A) GENEVA 3334; (B) GENEVA 3144
Review Action: RELEASED, APPROVED
Review Authority: cunninfx
Review Comment: n/a
Review Content Flags:
Review Date: 30 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <30 APR 2002 by ifshinsr>; APPROVED <06 MAR 2003 by cunninfx>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ICELAND PRIOR IMPORT DEPOSITS
TAGS: ETRD, IC, US, GATT
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005